



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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8-26901

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CNL Securities Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

450 S. Orange Avenue

(No. and Street)

Orlando

FL

32801

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert A. Bourne

407/650-1000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton LLP

(Name - if individual, state last, first, middle name)

200 S. Orange Avenue, Suite 2050 Orlando

FL

32801

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

1/2/08

OATH OR AFFIRMATION

I, Robert A. Bourne, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CNL Securities Corp., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



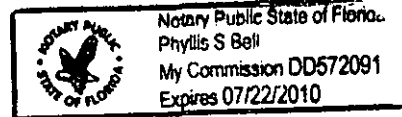
Signature

Robert A. Bourne, Chief Executive Officer

Title



Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER

CNL SECURITIES CORP.

as of December 31, 2007

COMPUTATION OF NET CAPITAL

| | | |
|---|--------------|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ 7,425,450 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | - | 3490 |
| 3. Total ownership equity qualified for Net Capital | 7,425,450 | 3500 |
| 4. Add: | | |
| A. Liabilities subordinated to claims of general creditors allowable in computations of net capital | - | 3520 |
| B. Other (deductions) or allowable credits (List) | - | 3525 |
| 5. Total capital and allowable subordinated liabilities | 7,425,450 | 3530 |
| 6. Deductions and/or charges: | | |
| A. Total nonallowable assets from Statement of Financial Conditions (Notes B and C) | \$ 2,764,444 | 3540 |
| B. Secured demand note deficiency | - | 3590 |
| C. Commodity futures contracts and spot commodities- proprietary capital charges | - | 3600 |
| D. Other deductions and/or charges | - | 3610 |
| 7. Other additions and/or allowable credits (List) | (2,764,444) | 3620 |
| 8. Net capital before haircuts on securities positions | - | 3630 |
| 9. Net capital before haircuts on securities positions | \$ 4,661,006 | 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)): | | |
| A. Contractual securities commitments | \$ - | 3660 |
| B. Subordinated securities borrowings | - | 3670 |
| C. Trading and investment securities: | | |
| 1. Exempted securities | - | 3735 |
| 2. Debt securities | - | 3733 |
| 3. Options | - | 3730 |
| 4. Other securities | (11,135) | 3734 |
| D. Undue Concentration | - | 3650 |
| E. Other (List) | - | 3736 |
| 10. Net Capital | (11,135) | 3740 |
| | \$ 4,649,871 | 3750 |

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER

CNL SECURITIES CORP.

as of December 31, 2007

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

PART A

| | | | |
|---|----|-----------|------|
| 11. Minimum net capital required (6-2/3% Of Line 19) | \$ | 315,799 | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 25,000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 315,799 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 4,334,072 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 4,176,171 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|-----------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 4,736,998 | 3790 |
| 17. Add: | | | |
| A. Drafts for immediate credit | \$ | - | 3800 |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | - | 3810 |
| C. Other unrecorded amounts (List) | \$ | - | 3820 |
| 19. Total aggregate indebtedness | \$ | 4,736,998 | 3840 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 :- by line 10) | | 102% | 3850 |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | | 0.00% | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

PART B

| | | | |
|---|----|---|------|
| 22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts | \$ | - | 3870 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | - | 3880 |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | - | 3760 |
| 25. Excess net capital (line 10 less 24) | \$ | - | 3910 |
| 26. Net capital in excess of: | | | |
| 5% of combined aggregate debt items of \$ 120,000. | \$ | - | 3920 |

OMIT PENNIES

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondents should provide a list of material non-allowable assets.

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

GRANT THORNTON LLP

70

ADDRESS

Number and Street

City

State

Zip Code

200 SOUTH ORANGE AVENUE STE 2050

ORLANDO

FL

32801

71

72

73

74

Check One

(x) Certified Public Accountant

75

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() Public Accountant

76

() Accountant not resident in United States or
any of its possessions

77

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| 50 | 51 | 52 | 53 | | | |

Financial Statements and Report of
Independent Certified Public Accountants

CNL Securities Corp.

(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

December 31, 2007

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
CNL Securities Corp.:

We have audited the accompanying statement of financial condition of **CNL Securities Corp.** (a wholly-owned subsidiary of CNL Capital Markets, Inc.) as of December 31, 2007, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CNL Securities Corp. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Orlando, Florida
February 26, 2008

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Statement of Financial Condition (*In Thousands*)
December 31, 2007

| <u>Assets</u> | |
|---|-----------------|
| Cash and cash equivalents | \$ 8,846 |
| Accounts receivable – related parties | 2,792 |
| Prepaid expenses and other assets | 205 |
| Property and equipment – net | 245 |
| Marketable securities | 74 |
| Total assets | <u>\$12,162</u> |
| <u>Liabilities and Stockholder's Equity</u> | |
| Accounts payable and accrued liabilities | \$ 2,623 |
| Due to parent | 1,378 |
| Deferred expenses | 736 |
| Total liabilities | <u>4,737</u> |
| Commitments and contingencies (Notes F and H) | |
| Stockholder's equity: | |
| Common stock – 100 shares authorized; par value \$1.00 per share; 100 shares issued and outstanding | - |
| Additional paid-in capital | 44,542 |
| Accumulated deficit | (37,117) |
| Total stockholder's equity | <u>7,425</u> |
| Total liabilities and stockholder's equity | <u>\$12,162</u> |

The accompanying notes are an integral part of this financial statement.

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Statement of Operations (*In Thousands*)
For the Year Ended December 31, 2007

Revenue:

| | |
|--------------------------------|---------------|
| Commissions and fees | \$94,201 |
| Interest and investment income | 444 |
| Total revenues | <u>94,645</u> |

Expenses:

| | |
|-------------------------------------|-------------------|
| Commissions and sales expenses | 87,751 |
| Salaries and benefits | 8,878 |
| General and administrative expenses | 4,263 |
| Total operating expenses | <u>100,892</u> |
| Net loss | <u>\$ (6,247)</u> |

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Statement of Changes in Stockholder's Equity (*In Thousands*)
For the Year Ended December 31, 2007

| | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Total |
|----------------------------|-----------------|----------------------------------|------------------------|-----------------|
| Balance, December 31, 2006 | \$ - | \$44,542 | \$(30,870) | \$13,672 |
| Net loss | - | - | (6,247) | (6,247) |
| Balance, December 31, 2007 | <u>\$ -</u> | <u>\$44,542</u> | <u>\$(37,117)</u> | <u>\$ 7,425</u> |

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Statement of Cash Flows (*In Thousands*)
For the Year Ended December 31, 2007

| | |
|--|-----------------|
| Cash flows from operating activities: | |
| Net loss | \$(6,247) |
| Adjustments to reconcile net loss to cash and cash equivalents used in operating activities: | |
| Depreciation and amortization | 134 |
| Amortization of deferred rent | 56 |
| Loss on disposal of fixed assets | 29 |
| Investment gains | (28) |
| Changes in operating assets and liabilities: | |
| Accounts receivable – related parties | 2,153 |
| Prepaid expenses and other assets | 961 |
| Accounts payable and accrued liabilities | (5,182) |
| Due to parent | (843) |
| Deferred expenses | 526 |
| Net cash used in operating activities | <u>(8,441)</u> |
| Cash flows from investing activities: | |
| Purchases of property and equipment | (175) |
| Net cash used in investing activities | <u>(175)</u> |
| Net decrease in cash and cash equivalents | (8,616) |
| Cash and cash equivalents at beginning of year | 17,462 |
| Cash and cash equivalents at end of year | <u>\$ 8,846</u> |

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)
December 31, 2007

Note A – Organization and Summary of Significant Accounting Policies

Organization and Business Activity:

CNL Securities Corp. (the Company) is a Florida corporation and a wholly-owned subsidiary of CNL Capital Markets, Inc. (CCM). CCM is a wholly-owned subsidiary of CNL Real Estate Group, Inc., which is a wholly-owned subsidiary of CNL Financial Group, Inc. (CFG), which is a wholly-owned subsidiary of CNL Holdings, Inc. (CHI). The Company is a registered broker-dealer with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority (FINRA). The Company serves as broker-dealer for the sale of various shares of unlisted real estate investment trust (REIT) stock and limited liability company (LLC) units. Commissions and fees are generated from the sale of these units and shares. The Company's operations are based in Orlando, Florida.

The Company's accounting policies are in conformity with accounting principles generally accepted in the United States of America and reflect practices appropriate to broker-dealers in the securities industry in the United States of America.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition:

Commissions and fees and related expenses from the sale of various shares of unlisted REITs and LLC units are recognized as revenue and expense when earned and are recorded on the date the investor is admitted as a limited partner or stockholder.

Cash and Cash Equivalents:

Cash and cash equivalents include money market funds and other liquid financial instruments with a maturity of three months or less when purchased.

Accounts Receivable:

The Company estimates losses for uncollectible accounts based on historical experience and the evaluation of the likelihood of success in collecting specific receivables. Uncollectible accounts are written off after all efforts are exhausted to collect the account balances. At December 31, 2007, all amounts were considered collectible and no allowance was deemed necessary.

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)
December 31, 2007

Marketable Securities:

Marketable securities consist of proprietary investments that are treated as trading securities. Marketable securities are carried at fair value, with changes in fair value recorded in interest and investment income on the accompanying statement of operations.

Property and Equipment:

Property and equipment is stated at cost less accumulated depreciation and amortization. Major renewals and betterments are recorded as property and equipment while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Gain or loss on retirement or disposal of an individual asset is recorded as income or expense. Depreciation is computed using the straight-line method over the following estimated lives:

| | <u>Years</u> |
|--|---|
| Office furnishings, fixtures and equipment | 5 - 15 |
| Computer software and hardware | 3 - 5 |
| Leasehold improvements | Shorter of life of the lease or life of the asset |

Income Taxes:

The Company is part of a consolidated tax reporting group with CHI. No formal tax sharing agreement exists. Effective January 1, 2007, CHI elected to be treated for tax purposes as a subchapter S corporation under the Internal Revenue Code (IRC). In conjunction with this election, the Company became a qualified subchapter S subsidiary. Accordingly, the accompanying statement of operations does not include a provision for federal income taxes or state income taxes in states that recognize the subchapter S corporation election. Income or loss is generally included in the stockholder's personal tax returns. The Company's election to be a qualified subchapter S subsidiary resulted in no changes to its current or deferred tax position at January 1, 2007.

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)
December 31, 2007

Note B - Related Party Transactions

Investment Partnerships and REITs:

The Company's activities as a broker-dealer relate primarily to certain LLCs and unlisted REITs. Two officers of CFG and the Company, along with CFG, serve as the managing member of these investment LLCs. In addition, the two officers are also officers and directors of one REIT.

Transactions with Affiliated Companies:

The Company earned commissions from related entities for the year ended December 31, 2007, of \$93,916. At December 31, 2007, the Company had commissions and fees due from related investment LLCs and REITs totaling \$2,792. At December 31, 2007, the Company had \$1,379 due to CFG for amounts paid by CFG on behalf of the Company in excess of payments made.

The Company provides marketing and investor services to the related partnerships, unlisted REITs and related companies for which it receives fees. For the year ended December 31, 2007, such fees amounted to \$250 and are included in commissions and fees in the accompanying statement of operations.

Subsidiaries of CHI provide marketing, administration, technology systems, human resources, accounting, tax and compliance services to the Company. Amounts paid for these services amounted to \$1,285 for the year ended December 31, 2007, and are included in general and administrative expenses in the accompanying statement of operations.

Contribution of Capital:

Historically, the Company has sustained losses and has become dependent upon the willingness and ability of OCM to make capital contributions to fund the negative cash flows and/or meet the Company's net capital requirements. No capital contributions were made by OCM during the year ended December 31, 2007.

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)
December 31, 2007

Note C – Property and Equipment

As of December 31, 2007, property and equipment consisted of the following:

| | |
|---|---------------|
| Office furnishings, fixtures and equipment | \$1,007 |
| Computer software and hardware | 1,043 |
| Leasehold improvements | 88 |
| | <u>2,138</u> |
| Less: Accumulated depreciation and amortization | (1,893) |
| | <u>\$ 245</u> |

Depreciation and amortization expense amounted to \$134 for the year ended December 31, 2007.

Note D – Net Capital Requirements

The Company is subject to rule 15c3-1 under the Securities Exchange Act of 1934. The rule provides that a broker or dealer in securities is required to maintain a minimum net capital of the greater of \$25 or 6 2/3% of aggregate indebtedness. The net capital of the Company as of December 31, 2007 was \$4,650 and 6 2/3% of aggregate indebtedness was \$316.

The Company did not have any liabilities subordinated to claims of general creditors during the year ended December 31, 2007, and is exempt from rule 15c3-3 under paragraph K(2)(i) because the Company does not carry securities accounts for customers or perform custodial functions for customer securities.

There were no material differences between the computation of net capital under rule 15c3-1 included in the amended unaudited FOCUS report and the audited computation of net capital.

Note E – Profit Sharing Plan

Employees of the Company are included in CNL Financial Group's defined contribution profit sharing plan (the Plan). The Plan is designed in accordance with the applicable sections of the Internal Revenue Code, and is not subject to minimum funding requirements. The Plan covers all eligible employees of the Company upon completion of one month of service. Employees may elect to contribute up to a maximum of 90% of their salary under Internal Revenue Service regulations. The Company matches 50% of the first 7% of each employee contribution for employees that have completed six months of service. For the year ended December 31, 2007, the Company's contribution, including administrative costs, amounted to \$280, and is included in salaries and benefits in the accompanying statement of operations.

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)

December 31, 2007

Note F – Obligations Under Operating Leases

Lease with Affiliated Companies:

The Company has been allocated a portion of a lease relating to office space leased from a related party. The lease provides for minimum monthly payments through October 2021, currently at \$32 per month. Deferred rent expense represents the difference between rent paid and the total cost of the lease recognized on a straight-line basis over the remaining life of the lease. Rent expense, including amortization of deferred rent, relating to the Company's allocation of this lease agreement totaled \$351 for the year ended December 31, 2007.

Lease of Office Space:

The Company has been allocated a portion of a lease relating to other office space. The lease provides for current minimum monthly payments of \$17 through March 2009. Rent expense, relating to the Company's allocation of this lease agreement totaled \$216 for the year ended December 31, 2007. In October 2007, this office space was subleased to an unrelated third party for \$16 per month. This sublease resulted in a \$46 reduction in rent expense.

The Company's allocation of future minimum lease payments as of December 31, 2007 is as follows:

| | |
|--------------------------|----------------|
| Year ending December 31, | |
| 2008 | \$ 540 |
| 2009 | 395 |
| 2010 | 353 |
| 2011 | 364 |
| 2012 | 374 |
| | <u>3,834</u> |
| Thereafter | <u>\$5,860</u> |

The Company's future sublease income as of December 31, 2007 is as follows:

| | |
|--------------------------|--------------|
| Year ending December 31, | |
| 2008 | \$186 |
| 2009 | 46 |
| | <u>\$232</u> |

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

Notes to Financial Statements (*In Thousands*)
December 31, 2007

Note G – Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable and commissions and fees.

The Company maintains cash balances at financial institutions and invests in unsecured money market funds. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100. At various times throughout the year and at December 31, 2007, balances in these accounts exceeded the insured limits.

Concentrations of credit risk with respect to accounts receivable and commissions and fees relates to the Company's business activity being substantially all from the sale of securities of affiliated entities (See Note B).

Note H - Contingencies

From time to time, the Company is a party to various legal actions and regulatory inquiries arising in the ordinary course of its business. While the results of these matters cannot be predicted with certainty, management believes that the final outcome of such legal actions will not have a material adverse effect on the Company's financial position.

During the year ended December 31, 2005, the Company completed a review of its underwriting compensation paid in connection with REITs for which the Company serves or has served as the broker-dealer. As a result of that review, the Company determined that there were instances where the REITs had paid the Company amounts in excess of the 10% underwriting compensation limit per FINRA rules. In 2005, the Company reimbursed the REITs for these amounts with interest.

The Company has self-disclosed these instances and is conducting a dialogue with FINRA regarding how it calculates underwriting compensation under FINRA guidelines.

Supplemental Information

CNL Securities Corp.
(A Wholly-Owned Subsidiary of CNL Capital Markets, Inc.)

**Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and
Exchange Commission**
For the Year Ended December 31, 2007

| <u>Net Capital</u> | |
|--|---------------------------|
| Computation of net capital: | |
| Total ownership equity | <u>\$7,425,450</u> |
| Nonallowable assets and other deductions: | |
| Other receivables | 2,313,689 |
| Prepaid expenses and other assets | 205,654 |
| Property and equipment - net | 245,101 |
| Securities haircuts | 11,135 |
| Total | <u>2,775,579</u> |
| Net capital | <u><u>\$4,649,871</u></u> |
| Computation of basic net capital requirement: | |
| Minimum net capital required (6 2/3% of aggregate indebtedness of \$4,736,998) | \$ 315,799 |
| Minimum dollar amount | 25,000 |
| Net capital requirement | 315,799 |
| Excess net capital | 4,334,072 |
| Excess net capital at 1000% | 4,176,171 |
| Percent: Aggregate indebtedness to net capital | 102% |

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
CNL Securities Corp.:

In planning and performing our audit of the financial statements of **CNL Securities Corp.** (a wholly-owned subsidiary of CNL Capital Markets, Inc.), for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs above and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Orlando, Florida
February 26, 2008

END